

**BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 2020-125-E

Application of Dominion Energy South)	<u>UNITED STATES DEPARTMENT</u>
Carolina, Inc. for Adjustment of)	<u>OF DEFENSE AND ALL OTHER</u>
Rates and Charges (See Commission)	<u>FEDERAL EXECUTIVE</u>
Order No. 2020-13))	<u>AGENCIES' FIRST SET OF</u>
)	<u>WRITTEN INTERROGATORIES</u>
)	<u>AND REQUEST FOR</u>
)	<u>PRODUCTION OF DOCUMENTS</u>
)	<u>AND THINGS TO DOMINION</u>
)	<u>ENERGY SOUTH CAROLINA, INC.</u>

Pursuant to the Public Service Commission's Regulation 103-833, the United States Department of Defense and all other Federal Executive Agencies ("DoD/FEA"), by and through its legal counsel, hereby submits its First Set of Written Interrogatories and Request for Production of Documents and Things to Dominion Energy South Carolina, Inc.

INSTRUCTIONS

1. Responses to these request should be provided within 20 days of this request in writing and under oath.
2. These Requests are continuing in nature and require supplemental answers within a reasonable time if additional documents or information would be responsive to these Requests.

3. If any of the responses do not contain complete information, so state this and identify each person who may have the additional information.

4. Due to mandated teleworking due to COVID-19, please deliver responses electronically to emilcy.w.medlyn.civ@mail.mil.

DEFINITIONS

1. “Company” is defined as Dominion Energy South Carolina, Inc.

2. “DESC” is defined as Dominion Energy South Carolina, Inc.

3. “DE” is defined as Dominion Energy

4. “Document” and “workpaper” shall have the broadest possible meaning and include, without limitation, the original and any non-identical copy (whether different from the original because of handwritten notes, underlining, or other marks,) regardless of origin or location, of written, typed, printed, or graphic matter (however produced or reproduced), and electrical or magnetic sound or video recordings, or transcriptions thereof, file or photographic prints, and all other writings or recordings of every kind and description, including, but not limited to, papers, letters, correspondence, agreements, contracts, telegrams, notes, notations, computer printouts, digital or e-mail communications, text messaging, data sheets, data processing cards or tapes, memoranda (including memoranda or memorials of conversations or meetings), intra-office communications, notebooks, reports, articles, books, pamphlets, periodicals, tables, charts, graphs, blueprints, drawings, studies, worksheets, estimating sheets, bids, bills, time cards, indices, lists, surveys, diaries, diary entries, facsimiles, specimens, models, schedules, accounts, invoices, purchase orders, estimates, ledgers, audits, and indices, and drafts, revisions or amendments of any of the above, and generally, any kind of tangible, permanent records that are now, or

formerly were, in your possession, custody or control, or that were known by you to exist, and that can be located or discovered by reasonably diligent efforts.

DOCUMENT AND INFORMATION REQUESTS

DOD/FEA-DESC No. 1-1. Please provide in the same format copies of all responses, including supplemental responses, Dominion Energy South Carolina, Inc. provided or will provide to the Office of Regulatory Staff's audit requests or other discovery requests.

DOD/FEA-DESC No. 1-2. Please provide in the same format copies of all responses, including supplemental responses, Dominion Energy South Carolina, Inc. provided or will provide to any other party in response to any discovery request, including future discovery requests.

DOD/FEA-DESC No. 1-3. Please explain why the Pro Forma Common Equity of \$3,837,419,946 as of May 31, 2020 on Exhibit C-7 of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) was used rather than as of December 31, 2019?

DOD/FEA-DESC No. 1-4. Exhibit C-7 of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E), Footnote 1 states "amount (of Pro Forma Common Equity of 3,837,419,946) includes changes to common equity through May 31, 2020." Please provide dollar amount and description of all changes to common equity referenced in Footnote 1.

DOD/FEA-DESC No. 1-5. What are the individual components of Exhibit C-7 of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) Pro Forma Common Equity of 3,837,419,946?

DOD/FEA-DESC No. 1-6. Why was Pro Forma Long-Term Debt of \$3,355,787,000 as of December 31, 2019 used on Exhibit C-7 of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) instead of the May 31, 2020 balance?

DOD/FEA-DESC No. 1-7. What are the individual components of Exhibit C-7 of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) Pro Forma Long-Term Debt of \$3,355,787,000?

DOD/FEA-DESC No. 1-8. What are the individual components and total balance of Long-Term Debt as of May 31, 2020?

DOD/FEA-DESC No. 1-9. Why is South Carolina Generating Company's (GENCO) Long-Term Debt not included in the December 31, 2019 Total Long-Term Debt amount of \$3,357,787,000?

DOD/FEA-DESC No. 1-10. If South Carolina Generating Company's (GENCO) Long-Term Debt is to be excluded how has DESC eliminated the benefits received from borrowing from GENCO?

DOD/FEA-DESC No. 1-11. Please provide a schedule, similar to Exhibit C-2 of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E), indicating DESC's most current capital structure.

DOD/FEA-DESC No. 1-12. Please provide all workpapers related to the adjustments (adjustments 1 – 41) on Exhibit C-2 Supplemental of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) and as described in Keith Coffey's and Kevin Kochems' Direct Prefiled Testimonies.

DOD/FEA-DESC No. 1-13. Please provide Exhibit C-1 Condensed Consolidated Balance Sheet (Regulatory Basis) and Condensed Consolidated Income Statement (Regulatory Basis) of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) in excel format.

DOD/FEA-DESC No. 1-14. Please provide Exhibit C-2 Operating Experience and Accounting & Pro Forma Adjustments of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) in excel format.

DOD/FEA-DESC No. 1-15. Please provide Exhibit C-3 Computation of Proposed Increase of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) in excel format.

DOD/FEA-DESC No. 1-16. Please provide Exhibit C-4 Statement of Fixed Assets of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) in excel format.

DOD/FEA-DESC No. 1-17. Please provide Exhibit C-5 Statement of Depreciation Reserves of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) in excel format.

DOD/FEA-DESC No. 1-18. Please provide Exhibit C-6 Materials and Supplies, Deferred Debits / Credits, Working Capital Investment of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) in excel format.

DOD/FEA-DESC No. 1-19. Please provide Exhibit C-7 Weighted Cost of Capital of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) in excel format.

DOD/FEA-DESC No. 1-20. Please provide the Cost of Service Study model as described in Kevin Kochems Direct Prefiled Testimony.

DOD/FEA-DESC No. 1-21. Please provide the Cost of Service Study model (in excel format) from South Carolina Electric & Gas Company's Docket No. 2012-218-E rate case.

DOD/FEA-DESC No. 1-22. If not already provided in response to the questions above, please provide all schedules, exhibits, tables, figures and workpapers of the Application for Adjustment of Rates and Charges (Docket No. 2020-125-E) in electronic format with all formulas intact supporting the Company filing and prefiled testimonies of all DESC witnesses. This is an on-going request for all subsequent testimonies.

DOD/FEA-DESC No. 1-23. If not already provided in response to the question above, on electronic spreadsheet with all formulas intact, please provide Dr. Vander Weide's exhibits and workpapers.

DOD/FEA-DESC No. 1-24. On pages 4 to 5 of Iris N. Griffin's Direct Prefiled Testimony, she explains that Dominion Energy has provided support to raise the equity percentage of DESC to be within the range of 50% to 55%.

- a. Please explain in addition to equity financing, did Dominion Energy take any other means to raise and maintain the equity ratio? If yes, what were those “other means”. Please list the date, amount and costs associated with those “other means”.
- b. Please list the equity ratio of DESC at the beginning of the merger, as of December 31, 2018, June 31, 2019, December 31, 2019, June 31, 2020 and August 31, 2020.
- c. Please list all the equity financing that Dominion Energy took to raise and maintain the equity ratio to the current level, including the date, amount, and cost of financing, in 2019 and 2020.
- d. As of May 31, 2020, DESC’s equity ratio has reached 53.35%. What is the company’s target equity ratio?
- e. Does DESC plan to issue more equity in 2020 and beyond? If so, please list the amount plan to be issued, cost of the issuance, how each of the issuance will impact the equity ratio.
- f. If more equities will be issued in 2020 and beyond, what amount will be issued by DESC? Please list the planned date, amount and issuance cost.
- g. Please list each of the debt the company issued in 2019 and 2020 including the date, amount and cost of the issuance.
- h. Is DESC planning to issue more debt in 2020 and beyond? If so, please list the planned date, type, amount and cost of the issuance.
- i. Please list the amount of the short-term debt conversion into long term debt in 2019, and 2020 for each conversion occurred.

DOD/FEA-DESC No. 1-25. On page 7, line 11, of Iris N. Griffin's Direct Prefiled Testimony, she states that DESC repaid \$1.7 billion in long term debt. Please show how the \$1.7 billion long term debt has been paid. Please list the amount and sources of the payment and how the retirement of the debt affected the equity ratio of the company.

DOD/FEA-DESC No. 1-26. Please provide copies of the Moody's Investors Service Credit Opinion on DESC and SCE&G as cited in footnotes 1 and 2 on page 8. Also provided copies of the ratings report as cited in Iris N. Griffin's Direct Prefiled Testimony, page 9 footnote.

DOD/FEA-DESC No. 1-27. Page 10 of Iris N. Griffin's Direct Prefiled Testimony mentions a proposed capital structure of the company as of May 30, 2020.

- a. Please explain the reason behind the company's use of hypothetical equity ratio of 53.35% (as of May 30, 2020) instead of the actual equity ratio as of December 2019, the test year.

DOD/FEA-DESC No. 1-28. Page 10 of Iris N. Griffin's Direct Prefiled Testimony, Chart A indicates the debt cost of 6.46%. Please provide workpapers (with formulas intact) showing how 6.46% was obtained.

DOD/FEA-DESC No. 1-29. Page 6 of Dr. James Vander Weide's Direct Prefiled Testimony discussed DESC's capital structure.

- a. Please explain whether the 53.35% equity ratio is book value equity ratio or market value equity ratio.

- b. Please provide the work paper (with formulas intact) to show the average market value capital structure for the proxy group of utilities for the last five years. Please explain the definitions of the terms and sources of data in detail.

DOD/FEA-DESC No. 1-30. On page 22, lines 1-7 of Dr. James Vander Weide's Direct Prefiled Testimony, he discussed the effect of the 2017 Tax Cuts and Jobs Act on DESC's cash flow.

- a. Explain in more detail how the Tax Cuts and Jobs Act lowers the cash flow of DESC.
- b. Provide evidence in support of the Tax Cuts and Jobs Act lowering the cash flow of DESC.

DOD/FEA-DESC No. 1-31. Page 23, lines 3-6, of Dr. James Vander Weide's Direct Prefiled Testimony states "Second, unlike returns in competitive industries, the returns from investment in electric utilities such as DESC are largely asymmetric. That is, it is more likely that the utility will earn less than its required returns than that the utility will earn greater than its required return."

- a. Explain the logic behind this statement.
- b. Please provide any empirical evidence that supports this statement.

DOD/FEA-DESC No. 1-32. Page 33 of Dr. James Vander Weide's Direct Prefiled Testimony discussed expected yield on A-rate utility bonds and corporate bond. Page 38 discussed the forecasted yield. Provide copies of the sources of expected bond yield and corporate bond yield. Please provide the workpaper that shows the exact calculation of the expected yields.

DOD/FEA-DESC No. 1-33. Pages 38 and 39 of Dr. James Vander Weide's Direct Prefiled Testimony discussed historical CAPM. Please explain whether there is any conflict between the nature of ROE being forward looking and the ROE generated from historical CAPM model being backward looking.

DOD/FEA-DESC No. 1-34. Please explain why Rate 23 is available only to customers with major industrial group of manufacturing with 10-14 or 20-39 as the first two digits of the Standard Industrial Classification or 21 or 31-33 as the first two digits of the six digit North American Industry Classification System using the Company's standard service for power and light requirements.

DOD/FEA-DESC No. 1-35. Please explain how a customer's SIC code impacts the cost of providing service by DESC.

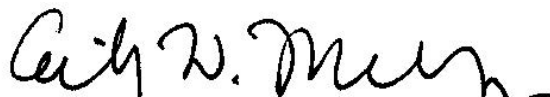
DOD/FEA-DESC No. 1-36. Does the billing base on kVA demand provide a more accurate representation of a customer's load than does billing based on kW demand? Why or why not?

DOD/FEA-DESC No. 1-37. Please explain why Rate 24 includes a demand charge based on kW rather than based on kVA?

DOD/FEA-DESC No. 1-38. Please explain the basis of the power factor correction in Rate 24. Specifically address why a threshold of 85% is utilized.

DOD/FEA-DESC No. 1-39. What would be the impact of using a threshold of 90% power factor on the proposed Rate 24?

Respectfully submitted,

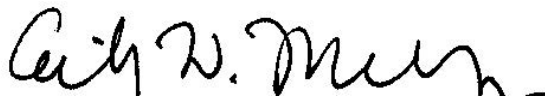


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September 25, 2020

CERTIFICATE OF SERVICE

I, Emily W. Medlyn, hereby certify that the foregoing document was served on all persons at the addresses listed in the Official Service List for Docket 2020-125-E on September 25, 2020.



Emily W. Medlyn